

ILLINOIS POWER COMPANY

Supplemental Statement Accompanying Letter of Transmittal Dated June 1, 2001

Section 16-108 of the Public Utilities Act (220 ILCS 5/16-108) requires each Illinois electric utility to file residential delivery service tariffs on or before October 2, 2001 in order to begin offering such services beginning May 1, 2002. The Commission is required to enter an Order approving, or approving as modified, the prices, terms and conditions of those components of residential delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") by April 1, 2002.

With this filing, Illinois Power Company ("Illinois Power" or the "Company") has elected to modify its existing delivery services tariff sheets to set forth the rates, terms and conditions under which both residential and non-residential delivery services will be provided to customers, as well as the terms and conditions under which the Company will offer other, related services. The following is a brief description of the proposed tariffs that are the subject of this filing:

- ◆ Service Classification ("SC") 110 – Delivery Services, is the tariff through which retail electric customers may receive delivery services from the Company to enable them to receive electric power and energy from suppliers other than the Company.
- ◆ SC 150 – Services for Customer Self-Managers ("CSM"), Retail Electric Suppliers ("RES") and Meter Service Providers ("MSP"), is the tariff through which services are made available to CSMs and those third parties providing power and energy or Metering Service to delivery services customers.
- ◆ Rider ISS – Interim Supply Service, is the tariff through which Illinois Power provides power and energy supply services on an interim basis under certain conditions to meet a delivery services customer's power and energy requirement.
- ◆ Rider PPO – Power Purchase Option, is the tariff through which Illinois Power provides the statutorily mandated option for non-residential customers that are paying transition charges to purchase energy at the market value used in the determination of their transition charges.
- ◆ Rider PRS – Partial Requirements Service, is the tariff through which a non-residential delivery services customer may split its power and energy requirements between a RES and Illinois Power.
- ◆ Rider TC – Transition Charge, is the recovery mechanism for the statutorily authorized transition charge. Rider TC includes formulas for the individual calculation and group calculation of transition charges.

Illinois Power also seeks approval of proposed revisions to the Company's existing Table of Contents and Standard Terms and Conditions in its Schedule of Rates for Electric Service and to its Rules, Regulations and Conditions Applying to Electric Service that are necessary in order to implement the revisions to the tariffs described above.

The charges in proposed SC 110 are designed to collect the Company's jurisdictional electric distribution net revenue requirement of \$302,342,000, assuming all kilowatt-hours sold or delivered by the Company were provided pursuant to SC 110. Attachment A to this Supplemental Statement shows the present and proposed charges in SC 110. Attachment B shows the revenue by class of service resulting from the application of the proposed SC 110 rates. The Company's proposed electric distribution revenue requirement is supported by the

prepared testimony and exhibits of D. L. Mortland, P. E. Carter, J. P. Barud, L. M. Jones and P. R. Moul that are being filed today with the Commission in this matter. These filed tariffs bear an effective date of July 16, 2001. However, it is the Company's expectation that the Commission will suspend the proposed tariffs and will enter an order approving the proposed tariffs on or about April 1, 2002.

The following paragraphs provide a summary of significant changes in the tariffs. In addition to the changes described below, numerous changes in language to current tariffs are proposed for purposes of clarification, consistency and simplification. A complete description and explanation in support of the proposed changes in rate structure, rate design, terms and conditions, and miscellaneous transaction fees, is provided in the prepared testimony and exhibits of D. L. Holtzsch, J. K. Voiles, L. M. Jones, and K. R. Althoff that are being filed today with the Commission in this matter.

Table of Contents. The Table of Contents is revised to reflect the changes that follow.

Standard Terms and Conditions ("Terms and Conditions"). Standard definitions applying to more than one tariff are being removed from the delivery services tariffs and the Company's Rules, Regulations and Conditions Applying to Electric Service and added to the Terms and Conditions. Provisions regarding historic customer information are being removed from SC 110 and SC 150 and added to the Terms and Conditions. In addition, a new option has been added that provides for unlimited access to customer information through the Internet by authorized agents for a fixed monthly fee. Various new provisions regarding RESs and agents have also been added. A new PPO Calculator option has been added. Lastly, the Residential Service (RCS) Energy Audit and Arrearage Pilot Program sections have both been deleted.

Illinois Power's proposed Terms and Conditions include certain fees and charges related to the provision of delivery services and are designed to either be revenue neutral or compensatory. Section 4(g) reflects the Company's charges for historic customer information. All but one of these fees were previously approved in Illinois Power's initial delivery services case and remain the same. There is a new flat monthly fee applicable to RESs and agents with verifiable customer authorization who opt to have unlimited access to customer-specific energy usage data or non-interval meter data, and to the Company's PPO Calculator from the Company's web site. Section 4(h) contains Illinois Power's proposed copying fee. Illinois Power's proposed per-use charges for use of the Company's PPO Calculator are included in Section 4(i).

Rules, Regulations and Conditions Applying to Electric Service ("Rules and Regulations"). Standard definitions are being removed from the Rules and Regulations and added to the Terms and Conditions.

SC 110. The tariff is reorganized to reflect the ICC Staff's outline that was approved by the Commission in its March 21, 2001 order in the uniformity proceeding, Docket No. 00-0494. As mentioned above, definitions currently found in SC 110 have been moved to the Terms and Conditions. The requirements pertaining to a Customer Self-Manager are being removed and placed in SC 150. The customer delivery voltage and point of delivery provision (formerly Section 7) is being removed and placed in the Terms and Conditions. To eliminate redundancies between SC 110 and SC 150, the procedures for the submittal of Enrollment DASRs and Cancellation DASRs by a Retail Electric Supplier or Meter Service Provider have been removed from SC 110, but have been retained in SC 150. Detailed provisions on billing options for RESs and MSPs has been removed from SC 110 and retained in SC 150. Provisions relating to customers placing only a portion of their loads on delivery services are being removed from SC 110 since applicable provisions are now included in the new Rider PRS. Provisions regarding termination of service by a customer's RES or MSP have been revised to point to the applicable provisions in SC 150. Interim supply service provisions are being removed from SC 110 and placed in a new Rider ISS. Off-Cycle Switching provisions have been revised to eliminate the need to enroll for Off-Cycle

Switching. In addition, several new Off-Cycle Switching options have been added. A provision has been added requiring a customer with generation facilities that uses delivery services for standby purposes to establish a Standby Capacity Requirement for billing purposes under SC 110. As previously noted, provisions regarding historic customer information have been removed and added to the Terms and Conditions.

With respect to rate design for residential customers, Illinois Power proposes to apply Facilities Charges and a two-block per kWh Delivery Charge. The current Small Commercial Customer category is being changed to a category for Small Use General Service Customers. Small Use General Service is for customers with average daily use that has not equaled or exceeded 61 kWh per day during any billing period in the most recent Summer Season. Rate components for Small Use General Service Customers are similar to those that currently exist for Small Commercial Customers: Facilities Charges, Metering Charges and a Delivery Charge that is now separated into two blocks.

The other than Small Commercial Customer category is being renamed Commercial and Industrial Service. It is for non-residential customers who are not eligible for Small Use General Service. The rate components remain the same except that the Demand Charge is being split into a Demand Charge and a Distribution Capacity Charge. The current Transformation Charge remains unchanged.

The rate components for Unmetered Service and Municipal Street Lighting Service are unchanged. Illinois Power proposes to offer both residential and non-residential rates for Outdoor Area Lighting Service.

SC 150. As with SC 110, SC 150 is reorganized to reflect the ICC Staff's outline approved by the Commission in the uniformity proceeding, Docket No. 00-0494. Definitions presently included in SC 150 have been relocated to the Terms and Conditions as previously noted. Provisions have been deleted to eliminate the credit requirements for a RES at the time of registration with the Company (except for credit requirements under Illinois Power's Open Access Transmission Tariff or relating to the consolidated RES Billing option). A new section has been added regarding the designation of a customer as a Customer Self-Manager (moved from SC 110). Many of the detailed provisions pertaining to billing, collection and remittance procedures for IFC Charges have been removed and placed in a new Appendix 2 to SC 150. As mentioned above, provisions regarding historic customer information have been removed and added to the Terms and Conditions. Lastly, current Appendices 1 through 6 are being eliminated, but the sample forms and contracts will continue to be available on the Illinois Power web site. Appendix 7 is being renumbered as Appendix 1.

With respect to the proposed rates and charges that Illinois Power would bill to a Customer Self-Manager, Retail Electric Supplier or Meter Service Provider, the current DASR fees remain unchanged.

Rider ISS. Interim supply service provisions are being removed from SC 110 and put into this new Rider. For residential customers a provision is being added to allow the customer to spread a portion of the Rider ISS billing over the three succeeding months, under certain circumstances.

Rider PPO. Rider PPO is being revised (1) to provide that during "higher energy" or "buy through" periods, the nonfirm customer will be billed the higher of (i) the applicable Market Value Index Price or (ii) the higher energy or buy through energy price specified in accordance with the customer's previous interruptible tariff; and (2) to bill Rider PPO customers Factor A4c from Rider TC, since these customers are not otherwise billed for energy imbalances.

Rider PRS. Non-residential customers taking delivery services under SC 110 but desiring to obtain a portion of their electric power and energy requirements from Illinois Power,

must now take service from the Company under this new Rider. A one-year minimum contract term is specified. In addition to the applicable charges for distribution delivery services in SC 110, the rate components under Rider PRS include an administrative fee, a charge for firm point-to-point transmission service, a charge for ancillary services, and an hourly price for power and energy based on the hourly price determined for purposes of Rider DA-RTP.

Rider TC. Provisions and appendices have been revised to incorporate residential transition charges. Factor A4c is being set to zero based on the energy imbalance provisions in the Company's current OATT. Finally, the adjustment factors to Market Value for retail marketing costs and uncollectible expense are being revised based on 2000 data.